



**Health Services**  
LOS ANGELES COUNTY

November 21, 2006

Los Angeles County  
Board of Supervisors

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The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 W. Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

**AN URGENCY ORDINANCE TO AMEND LOS ANGELES COUNTY CODE  
CHAPTER 2.121 RELATING TO CONTRACTS FOR PHYSICIAN SERVICES  
AND CHAPTER 5.44 RELATING TO BILLING BY PHYSICIAN CONTRACTORS  
(All Districts) (4 Votes)**

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**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Approve ordinance for adoption amending County Code Title 2- Administration and Title 5 – Personnel, to provide for contracting for physician services when such contracts are feasible; and, to permit physicians and physician groups to bill and collect fees for directly provided services.
2. Introduce, waive reading and adopt as an urgency measure the accompanying ordinance which implements the above recommendation for the immediate preservation of the public health and safety.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:**

In approving the recommended actions, the Board is amending on an urgency basis Los Angeles County Code, Chapter 2.121 to permit contracting for physician services when such contracting is more feasible and Chapter 5.44 to permit physicians and physician groups providing services under contract with the County to bill private insurance, including Medi-Cal and Medicare, for professional services.

**FISCAL IMPACT/FINANCING:**

This recommendation has no fiscal impact or financing implications.

**FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

Proposition A, enacted by the voters in 1978, amended the County Charter to allow the County to contract out for services when the Board finds that the work can more economically or feasibly be performed by independent contractors. The Charter provision required the Board to adopt an ordinance specifying criteria for entering into contracts and specifying competitive bidding procedures for the award of such contracts. Pursuant to this requirement, the Board adopted County Code Chapter 2.105, subsequently renumbered to Chapter 2.121, which allows for the contracting out of services upon a finding of cost effectiveness and sets bidding processes for



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such contracts. As currently drafted, Chapter 2.121 does not provide for contracting based on a finding of feasibility, as is provided for in the Charter.

On September 22, 2006, the Centers for Medicare and Medicaid Services (CMS) announced that it intended to revoke its certification of Martin Luther King/Charles R. Drew Medical Center (KDMC), effective November 30, 2006. Recently, Drew University determined to voluntarily withdraw its ACGME accreditation of the University and all 15 ACGME sponsored programs effective July 1, 2007. While the University's intent is that all physician residents will be able to complete this current academic year under Drew University sponsorship, the residents will complete their training through rotations in facilities other than KDMC, effective December 1, 2006.

As a direct result of this loss of physician resident services, the Department of Health Services (Department) has an urgent need to contract for certain full-time physician services to allow for the continued provision of medical services to the community, most immediately to staff the emergency department at Martin Luther King, Jr./Harbor Hospital (MLK-Harbor)

Additionally, the Metrocare Plan approved by your Board on November 6, 2006, envisions a sweeping reconfiguration of service delivery in SPAS 6 and 8. Pivotal to the success of that reconfiguration is the use of physician contractors to address needs created by the loss of resident services at MLK-Harbor, to reinforce the provision of service at that facility which is critical to regaining CMS accreditation and rebuilding the facility, and to supplement current physician staff elsewhere in the Department's delivery system necessitated by the shift in services from MLK-Harbor.

Currently, pursuant to Chapter 2.121, the County would, in most cases, be allowed to retain full time physician services under contract only upon a showing that the contract services are more cost effective. Without the ability to more freely contract for physician services when the use of contract physicians is more feasible, the Department faces staffing shortages at MLK-Harbor and may have no choice but to curtail services at that facility in order to protect the safety of patients seeking care there. Furthermore, without the ability to augment existing physician staff on an expedited basis, other County facilities will face similar circumstances as they are called upon to assist MLK-Harbor in its transformation to a community hospital.

As such, the Department is recommending amendment of Chapter 2.121 to permit contracting for physician services when such contracts are feasible. We would note that as currently drafted, Chapter 2.121 allows for non-competitive negotiation when a Department determines that competition is not feasible. This provision applies to any contract, and is not, and under the amendment would not, be limited to physician service contracts. Thus, when time or other factors do not allow for competitive solicitation, direct negotiation with potential service providers, without a competitive bid process, is allowed. Given the circumstances facing the Department, it is likely that circumstances may dictate the need to utilize non-competitive negotiations in certain situations. However, even in such instances, the Department is committed to utilizing an expedited, less formal solicitation process to the extent practical.

Additionally, except in very limited circumstances, the Los Angeles County Code currently does not permit physicians under contract with the County to bill private insurance, including Medicare and Medi-Cal, for their professional services. Instead, the physicians must look solely to the County for

reimbursement. Standard practice in the private sector is to permit physician groups to bill for their professional services. As such, the Department is recommending amendment of the County Code to permit physicians and physician groups under contract with the County to bill for their professional services, which are not otherwise paid for by the County.

Without this amendment, the Department's current efforts to contract for certain physician services, including some currently provided by physician residents at MLK-Harbor such as emergency medicine, will be severely limited. Without such contracts, which are necessary to provide ongoing care to patients seeking care at MLK-Harbor, particularly in the emergency department, the Department may have no choice but to curtail services at the facility.

IMPACT ON CURRENT SERVICES (OR PROJECTS):

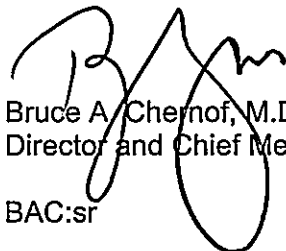
Approval of the recommended actions will preserve the health and safety of patients in the County's health care system, particularly those in SPAs 6 and 8, by greatly assisting in the Department's ability to negotiate and enter into contracts for various physician services. This ability is immediately needed to best provide for the continuity of services currently being provided by physician residents who, effective December 1, 2006, will no longer be available to provide care at MLK-Harbor. The ability to contract is also immediately needed to augment staff at those facilities which are vital to assisting MLK-Harbor's transition to a community hospital so as to best meet the medical needs of the community.

CONCLUSION

The recommended actions are critical to promote the continued health and safety of patients in the County health care system and, given the critical circumstances facing the Department, are needed immediately.

Once approved, please return one adopted copy of this letter to the Department.

Respectfully submitted,



Bruce A. Chernof, M.D.  
Director and Chief Medical Officer

BAC:sr

Attachments

c: Chief Administrative Officer  
County Counsel  
Executive Officer, Board of Supervisors  
Director, Department of Human Resources